

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
INBOUND PARCEL POST (AT UPU RATES)

Docket No. CP2017-267

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING
CHANGES IN RATES NOT OF GENERAL APPLICABILITY FOR
CERTAIN INBOUND PARCEL POST (AT UPU RATES),
AND APPLICATION FOR NON-PUBLIC TREATMENT**
(August 15, 2017)

The United States Postal Service (Postal Service) hereby gives notice of a change in rates not of general applicability for a certain portion of its Inbound Parcel Post (at Universal Postal Union (UPU) Rates) product; these rates would take effect January 1, 2018, if approved by the Commission. The Postal Service must give notice of these new rates to the UPU by August 31, 2017.

Prices and classifications not of general applicability for Inbound Air Parcel Post (at UPU Rates) were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of New Prices and Classifications for Inbound Air Parcel Post (at UPU Rates), issued on November 16, 2009 (Governors' Decision No. 09-15). The Postal Regulatory Commission (Commission) previously determined that Inbound Air Parcel Post (at UPU Rates) is appropriately classified as a competitive product and that an initial review of the rates indicated compliance with statutory requirements.¹ On August 19, 2014, in PRC Order No. 2160, the Commission determined that Inbound Surface Parcel Post (at UPU Rates) also is appropriately classified as a competitive product and that an initial review of the rates indicated

¹ PRC Order No. 362, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, Docket Nos. MC2010-11 and CP2010-11, December 15, 2009, at 8-9.

compliance with statutory requirements.² As part of the Order No. 2160, Inbound Air Parcel Post (at UPU Rates) and Inbound Surface Parcel Post (at UPU Rates) were merged into a single product identified as Inbound Parcel Post (at UPU Rates).

The Decision of the Governors of the United States Postal Service on Changes in Rates and Classes for Inbound Parcel Post (at UPU Rates) (Governors' Decision No. 14-04), issued on June 18, 2014, established the rates and classification for Inbound Parcel Post (at UPU Rates). The Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-published Competitive Rates (Governors' Decision No. 11-6), issued on March 22, 2011, authorized rates for, among other things, "other non-published competitive rates" that are "not of general applicability" and also "that are not embodied in contractual instruments." These expressly included, as an example, rates arising "from other sources, such as the Universal Postal Convention."

With this filing, the Postal Service notifies the Commission of changes to the rates for a certain portion of its Inbound Parcel Post (at UPU Rates) that are intended to take effect January 1, 2018. Specifically, the rates for which Commission approval is requested in this filing consist of new rates for the Inbound Parcel Post (at UPU Rates) product when UPU designated operators and the Postal Service may mutually consent to the UPU's e-commerce delivery option ("ECOMPRO"). ECOMPRO applies only when UPU designated postal operators from different countries voluntarily choose

² PRC Order No. 2160, Order Approving Product List Transfer, Docket No. MC2014-28, August 19, 2014, at 8.

certain delivery options pursuant to UPU regulations³ for air parcel exchanges. For 2017, the Postal Service's inbound ECOMPRO rates have been equivalent to its UPU inbound air parcel post rates, as previously approved by the Commission in PRC Order Nos. 3748 & 3985.⁴ In Order No. 3748, the Commission ordered changes to the Mail Classification Schedule (MCS). These changes included modification of MCS section 2310.6 to anticipate future changes to ECOMPRO rates, by expressly adding to that section of the MCS that certain Inbound Parcel Post rates may be "otherwise fixed by the [UPU's Postal Operations Council] upon notification by the Postal Service."

For the new rates for inbound ECOMPRO to take effect January 1, 2018, the Postal Service seeks to set rates that will not necessarily be equivalent to its UPU inbound air parcel post rates effective in January 2018. To the contrary, the Postal Service is setting its new January 2018 inbound ECOMPRO rates at what will likely prove to be a discount off the new 2018 UPU inbound air parcel post rates once those rates are set by the UPU. The Postal Service is doing so in part in recognition of certain lower costs attendant to the ECOMPRO service, in that it does not require signature upon delivery. The Postal Service is also doing so in part because ECOMPRO is intended to be accompanied by item-attribute ("ITMATT") customs advance electronic data consistent with UPU messaging standards, and the Postal Service seeks to incentivize foreign postal operators to provide ITMATT data for its U.S.-bound postal shipments.

³ Regulation RC 116bis within the UPU Parcel Post Manual sets forth the conditions under which operators may agree to utilize ECOMPRO parcel delivery. It includes, for example, certain track and trace features, target delivery times, and obviating signatures upon delivery.

⁴ See PRC Order No. 3985, Order Acknowledging Changes in Prices for Inbound Parcel Post (at UPU Rates), Docket No. CP2017-214, June 29, 2017; PRC Order No. 3748, Order Approving in Part Classification Changes for Inbound Parcel Post (at UPU Rates), Docket Nos. MC2017-58 & CP2017-86, January 11, 2017; see also PRC Order No. 3716, Order Acknowledging Changes in Prices for Inbound Parcel Post (at UPU Rates), Docket Nos. MC2017-58 & CP2017-86, December 30, 2016.

The Postal Service's new 2018 rates for its UPU inbound air parcel post (and also its new 2018 rates for its UPU inbound surface parcel post) will be determined in the first instance by the UPU⁵ and then communicated to the Postal Service and others in a Circular notice from the UPU's International Bureau later this year, after which the Postal Service will file that Circular with the Commission to seek approval of those new rates in accordance with past Commission Orders and procedures. However, in order to set new rates to be effective January 1, 2018 for ECOMPRO, the Postal Service must give notice to the UPU of those self-determined inbound rates by August 31, so that the UPU, in turn, can include those rates in a subsequent Circular notice to all other UPU member countries' designated postal operators. Accordingly, to give notice to the UPU of those rates by August 31, the Postal Service respectfully seeks Commission approval of those rates by Wednesday, August 30.

The rates and supporting documents are being filed separately under seal with the Commission. The Postal Service's Application for Non-public Treatment of those materials is included with this Notice as Attachment 1. The Postal Service's proposed new rates for ECOMPRO to be effective in January 2018, if approved, appear within Attachment 2 to this Notice; Attachment 2 is redacted. A certification pursuant to 39 C.F.R. § 3015.5(c)(2) is included as Attachment 3. Redacted copies of Governors' Decision Nos. 14-04 and 11-6 are included as Attachments 4 & 5, respectively. A redacted Excel version of the supporting financial documentation also accompanies this filing.

⁵ Within the UPU's Parcel Post Manual, Regulations RC 195 & 196 set forth the procedures by which the UPU sets the air and surface parcel rates. For the ECOMPRO delivery option, it fixes rates under Regulation RC 116bis.2.6.

I. Explanation of Rates

In Order Nos. 3716 & 3748, the Commission made it clear that the Postal Service would need to file adequate supporting documentation for approval of any ECOMPRO rates that are not equivalent to its Inbound Air Parcel Post rates. The financial spreadsheets that are filed under seal provide this support.

II. Application for Non-Public Treatment

The Postal Service maintains that certain portions of the Governors' Decisions, the new rates, and related financial information should remain confidential. The Postal Service provides its Application for Non-Public Treatment of materials filed under seal as Attachment 1.

III. Management Analysis

In PRC Order No. 2310, the Commission requested that the Postal Service provide an update to the Management Analysis originally in support of the establishment of rates for Inbound Air Parcel Post (at UPU Rates) as originally requested in PRC Order No. 2102. Specifically, the Commission requested in PRC Order No. 2102 (at 6):

data and information concerning the Postal Service's submission of formal documentation to the UPU in support of an inflation-linked adjustment for the inward land rate it receives from other postal administrations and transmission of responses to the UPU survey to justify bonus payments; the date the UPU advises the United States that the inward land rate applicable to its inbound air parcels would be per item plus per kilo special drawing rights (SDRs); the inward land rate calculation for the pertinent year (or period); the SDR equivalent in U.S. dollars; and the estimated cost coverage for the pertinent calendar year.⁶

⁶ PRC Order No. 2102, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), Docket No. CP2014-52, June 26, 2014, at 6.

Unlike Inbound Air Parcel Post (at UPU Rates), much of that data is inapplicable to the ECOMPRO rates, which the Postal Service may set and then communicate to the UPU, which, in turn, communicates via subsequent Circular notice to other UPU member countries' posts. That is, the inflation adjustments and the bonus payment information are relevant to the Inbound Air Parcel Post, but not to the setting of ECOMPRO rates. The UPU will issue a Circular fixing the rates that the Postal Service sets for ECOMPRO on or about the same date that it issues a Circular with the new January 2018 rates for Inbound Air Parcel Post and Inbound Surface Parcel Post. Subsequently, when the Postal Service files those new published UPU rates, it can also file with the Commission the UPU's Circular for the ECOMPRO rates.

With the financial documentation that accompanies this Notice, the Postal Service provides the following with respect to the proposed new ECOMPRO rates:

- The SDR conversion rate to U.S. dollars used for the cost coverage analysis was 1 SDR is equal to \$1.41 USD.⁷
- The estimated cost coverage is available in the accompanying financial information. To estimate conservatively that ECOMPRO will cover its costs, the Postal Service has presented its data based on an assumption that all Inbound Air Parcel Post volumes would be exchanged using the ECOMPRO delivery option and rates. Of course, not all volumes are expected to be exchanged using ECOMPRO, and the Postal Service's financial models for its next Inbound Air Parcel Post rates will need to be based on a reasonable estimate of the volumes.

Nevertheless, an assumption that all Inbound Air Parcel Post (at UPU Rates)

⁷ This conversion rate is based on the publication of the SDR value by the International Monetary Fund (IMF) on August 14, 2017. The conversion rate at the time of settlement may vary based on the IMF value of the SDR at time of settlement.

volumes (i.e., excluding bilateral volumes) would be exchanged as ECOMPRO volumes helps demonstrate the adequacy of the cost coverage of the new proposed ECOMPRO rates.

- The financial information and the attached certification show that the Inbound Parcel Post (at UPU Rates) product at the ECOMPRO rates should cover its attributable costs, preclude the subsidization of competitive products by market dominant products, and not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

IV. Conclusion

For the reasons discussed above, the Postal Service has established that these new ECOMPRO rates for its Inbound Parcel Post (at UPU Rates) product are in compliance with the requirements of 39 U.S.C. § 3633(a)(2). Accordingly, the Postal Service submits that it has met its burden of providing notice to the Commission of changes in these ECOMPRO rates for the Inbound Parcel Post (at UPU Rates) product within the scope established by Governors' Decision Nos. 14-04 & 11-6, as required by 39 U.S.C. § 3632(b)(3), and the Postal Service therefore respectfully requests Commission approval of these rates (which will take effect on January 1, 2018, if approved), no later than August 30, 2017, such that the Postal Service may give notice to the UPU of these new ECOMPRO rates by August 31, 2017.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno

Chief Counsel,

Global Business and Service Development

Jeffrey A. Rackow

Attorney

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1101
(202) 268-6687; Fax -5418
August 15, 2017

**APPLICATION OF THE UNITED STATES POSTAL SERVICE
FOR NON-PUBLIC TREATMENT OF MATERIALS**

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in these dockets. The materials pertain to the establishment of prices not of general applicability for ECOMPRO Inbound Parcel Post (at UPU Rates) established in Governors' Decision No. 14-04. The rates and supporting documents establishing compliance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7 are being filed separately under seal with the Commission. Redacted copies of these materials are filed publicly, including a redacted version of the supporting financial documentation filed as a separate Excel document.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

The materials designated as non-public consist of information of a commercial nature that under good business practice would not be publicly disclosed. In the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).¹ Because the portions of the materials that the Postal Service is filing only under seal fall within the scope of

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

In the case of the UPU rates such as those at issue here, the Postal Service believes that the foreign postal operators whose governments are members of the UPU are the only third parties with a proprietary interest in the materials. Due to language and cultural differences as well as the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operators, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices to the relevant postal operators.² The Postal Service identifies as an appropriate contact person Peter Chandler, Manager, UPU Relations, International Postal Affairs. Mr. Chandler's phone number is (202) 268-5549, and his email address is peter.r.chandler@usps.gov.

The Postal Service provided notice to all foreign postal operators within the Universal Postal Union network through an International Bureau Circular issued on January 23, 2017, that the Postal Service will be regularly submitting certain business information to the Commission. The circular includes information on how third parties may address any confidentiality concerns with the Commission. In addition, contact

² The Postal Service acknowledges that 39 C.F.R. § 3007.21(c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's response might be construed as beyond the scope of this exception, the Postal Service respectfully requests a waiver that would allow it to designate a Postal Service employee as the contact person under these circumstances, in light of the practical considerations outlined herein.

information for all UPU Designated Operators is available at the following link, which is incorporated by reference into the instant application:

http://pls.upu.int/pls/ap/addr_public.display_addr?p_language=AN.³

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with its Notice filed in this docket, the Postal Service included its new rates, Governors' Decision Nos. 11-6 & 14-04, and supporting documentation in the form of financial work papers. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of the rate charts and related financial information should remain confidential.

The redactions applied to the rate chart and related financial work papers protect commercially sensitive information such as rates, underlying costs and assumptions, pricing formulas, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b).

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the rate charts, Governors' Decision Nos. 11-6 & 14-04, and related financial work papers that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Information about pricing is commercially sensitive, and the Postal Service does not believe that it would

³ To the extent required, the Postal Service seeks a waiver from having to provide each foreign postal operator notice of these dockets. It is impractical to communicate with dozens of operators in multiple languages about this matter. Moreover, the volume of filings would overwhelm both the Postal Service and the applicable foreign postal operators with boilerplate notices.

be disclosed under good business practices. Competitors could use the information to assess the rates charged by the Postal Service to foreign postal operators for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. The Postal Service considers this to be a highly probable outcome that would result from public disclosure of the redacted material.

The financial work papers include specific information such as costs, projections of variables, and cost coverage. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to assess the Postal Service costs and pricing. Thus, competitors would be able to take advantage of the information to offer lower pricing to customers (which can include foreign posts, which are not required to use the Postal Service for delivery of parcels destined to the United States), while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services market. Additionally, foreign postal operators or other potential customers could use costing information to their advantage in negotiating the terms of their own agreements with the Postal Service. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers (which can include foreign posts) could also deduce from the rates provided in the work papers whether additional margin for net profit exists. From this information, each foreign postal operator or customer could attempt to negotiate

ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised.

Volume and price information included in the financial spreadsheets also consist of sensitive commercial information of foreign postal operators. Disclosure of such information could be used by competitors of a postal operator to assess the operators' underlying market size and its costs, and thereby develop a benchmark for the development of a competitive alternative.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Harm: Public disclosure of information in the rate charts, Governors' Decision Nos. 11-6 & 14-04, or financial work papers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service obtains a copy of the unredacted version of the rate charts, formulas, and financial work papers from the Postal Regulatory Commission's website. It analyzes the data to determine what the Postal Service would have to charge its customers (which may include foreign posts) in order for the Postal Service to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. The competing package delivery service then sets its own rates for products similar to what the Postal Service offers other posts under that threshold and markets its ability to guarantee to beat the Postal Service on price for inbound air parcels. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of the inbound air parcel delivery market.

Harm: Public disclosure of information in the rate charts or financial work papers would be used by a foreign postal operator's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial work papers from the Postal Regulatory Commission's website. The competitor analyzes the work papers to assess a foreign postal operator's underlying costs and volumes for the corresponding products. The competitor uses that information to assess the market potential and negotiate with U.S. customs brokers and freight companies to develop lower-cost alternatives.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for inbound parcel delivery (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, the Postal Service believes that foreign postal operators, as well as actual or potential customers of a postal operator for this or similar products should not be provided access to the non-public financial work papers.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.



UPU inward land rates are not available publicly. Rather, they are circulated to postal operators and government ministries through UPU International Bureau circulars and accessible on a password-protected website. Hence, they are considered by postal operators to be commercially sensitive.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

Inbound ECOMPRO

USPS Rates to Become Effective January 1, 2018 (if approved) (to be published by UPU for all foreign posts¹)

SDR Rate per item	SDR Rate per kilogram
	

¹ The rates would apply if the U.S. Postal Service and a foreign postal operator elect to exchange ECOMPRO.

Certification of Prices for ECOMPRO Inbound Parcel Post (at UPU Rates)

I, John P. Kelley, Acting Manager Cost Attribution, Finance Department, United States Postal Service, am familiar with the prices for "ECOMPRO" Inbound Parcel Post (at UPU Rates). The prices were established by the Decision of the Governors of the United States Postal Service on Changes in Rates and Classes for Inbound Surface Parcel Post (at UPU Rates), issued June 18, 2014 (Governors' Decision No. 14-04), and the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, issued on March 22, 2011 (Governors' Decision No. 11-6).

I hereby certify that the numerical cost values underlying the prices for ECOMPRO Inbound Parcel Post (at UPU Rates) are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage of in excess of the minimum required by the Governors' Decision No. 11-6, are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The prices demonstrate that ECOMPRO Inbound Parcel Post (at UPU Rates) should cover its attributable costs and preclude the subsidization of competitive products by market-dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from ECOMPRO Inbound Parcel Post (at UPU Rates) should be even smaller. ECOMPRO Inbound Parcel Post (at UPU Rates) should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

John P Kelley

Digitally signed by John P Kelley
DN: cn=John P Kelley, o=Cost
Attribution, ou=Finance,
email=John.P.Kelley@usps.gov, c=US
Date: 2017.08.15 12:24:41 -04'00'

John P. Kelley

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON CHANGES
IN RATES AND CLASSES FOR INBOUND PARCEL POST (AT UPU RATES) (GOVERNORS'
DECISION NO. 14-04)**

June 18, 2014

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under sections 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish price and classification changes for the Postal Service's shipping services (competitive products). This decision establishes prices for Inbound Parcel Post at Universal Postal Union (UPU) rates for which there is no contractual relationship governing the price with the tendering postal operator. The attachment includes the draft Mail Classification Schedule sections with changes in classification language in legislative format.

Governors' Decision 09-15 previously established prices and classifications for Inbound Air Parcel Post (at UPU rates). That decision explained that under the Universal Postal Convention, postal operators tender air parcels to each other for delivery in the destination country at prices set by the UPU Postal Operations Council, except where postal operators have negotiated alternative prices for parcels. The method by which prices, or inward land rates, are established is set forth in the UPU Parcel Post Regulations, and is similar for both air and surface parcels.

Consistent with Governors Decision 09-15 regarding the approval of the prices for Inbound Air Parcel Post (at UPU rates), we conclude that the inward land rates for Inbound Parcel Post (at UPU rates), including air and surface parcels, should satisfy the requirements of 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED] We also approve the classification changes, finding that they are appropriate and consistent with the regulatory criteria, as indicated by management. Pursuant to this decision, management may file the

applicable inward land rates for Inbound Parcel Post (at UPU rates) with the Postal Regulatory Commission, including both air and surface parcels, as appropriate.

ORDER

In accordance with the foregoing Decision of the Governors, the prices for Inbound Parcel Post (at UPU rates) and the changes in classification necessary to implement those prices are hereby approved and ordered into effect. We direct management to file appropriate notice of these changes with the Postal Regulatory Commission as needed. Prices and classification changes established pursuant to this Decision will take effect concurrently with the transfer of Inbound Surface Parcel Post (at UPU rates) from the market dominant product list to the competitive product list.

By The Governors:

A handwritten signature in cursive script, reading "Mickey D. Barnett", is written over a horizontal line.

Mickey D. Barnett
Chairman

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, INBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED COMPETITIVE RATES (GOVERNORS' DECISION NO. 11-6)

March 22, 2011

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments, but nonetheless arise from other sources, such as the Universal Postal Convention.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

Governors' Decision No. 11-6

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With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission.

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established all prices that will cover [REDACTED] [REDACTED] costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegate(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a quarterly basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant, new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

Governors' Decision No. 11-6

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This Decision does not supersede or otherwise modify Governors' Decision Nos. 08-5, 08-6, 08-7, 08-8, 08-10, 08-20, 08-24, 09-5, 09-6, 09-7, 09-14, 09-15, 09-16, 10-1, 10-2, 10-3, 10-6, and 10-7, nor does it affect the validity of prices and classifications established under those Decisions. Management may also continue to present to the Postal Regulatory Commission for its review, as appropriate, rate and classification changes to succeed the minimum and maximum non-published rates in Decision Nos. 10-2 and 10-6.

ORDER

In accordance with the foregoing Decision of the Governors, the prices set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:



Louis J. Giuliano
Chairman

Attachment A

Management Analysis of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates

This analysis concerns the inbound competitive prices and classifications in the Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (collectively, "competitive instruments"). Competitive instruments are often negotiated with customers and foreign postal operators for better cost coverage, higher overall contribution, and improved service with respect to postal services classified as competitive. They may also arise from other sources, such as the Universal Postal Convention.

The cost coverage for each competitive agreement or grouping of functionally equivalent instruments (collectively, each "product") will be [REDACTED]:

[REDACTED]

The cost coverage for a product equals [REDACTED]
[REDACTED]

[REDACTED]

Each competitive instrument may have multiple price categories and negotiated components. Examples of such categories or components would be Priority Mail, Express Mail, Parcel Return Service, Priority Mail International, Express Mail International, International Priority Airmail, International Surface Air Lift, Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and Inbound International Expedited Services. These or other categories may include other services that the relevant customer or foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in the same manner within the United States Postal Service's network. Such instruments may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Prices established by these formulas should not interfere with competitive products' ability as a whole to comply with 39 U.S.C. § 3633(a)(3), which, as implemented by (39 C.F.R. § 3015.7(c)) requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise (39 U.S.C. § 3633(a)(1)).

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 11-6**

I hereby certify that the Governors voted on adopting Governors' Decision No. 11-6, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore
Secretary of the Board of Governors

Date: 3/22/2011